



0000056152

Transcript Exhibit(s)

Docket #(s): W-01498A-03-0353

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Exhibit #: **A<sup>1</sup>**, **S<sup>1</sup>** .  

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**Arizona Department of Environmental Quality  
Drinking Water Compliance Enforcement Unit  
3033 N. Central Avenue, M0501B  
Phoenix, AZ 85012**

**Compliance Status Report**

**PWS Name:** Rocky Lake Water Co.

**PWS ID #:** 05-004

**Compliance Status:** ☒ No Major Deficiencies ☐ Major Deficiencies

**Comments:**

**Date of last inspection / sanitary survey:** 1-16-02

**Major Operation and Maintenance Deficiencies cited during inspection:**

<input checked="" type="checkbox"/> None	<input type="checkbox"/> unable to maintain 20psi	<input type="checkbox"/> inadequate storage
	<input type="checkbox"/> cross connection/backflow problems	<input type="checkbox"/> surface water treatment rule
	<input type="checkbox"/> treatment deficiencies	<input type="checkbox"/> approval of construction
	<input type="checkbox"/> certified operator	

**Administrative Orders:**

Is ADEQ administrative order in effect? ☐ Yes ☒ No

Is US EPA administrative order in effect? ☐ Yes ☒ No

**Comments:**

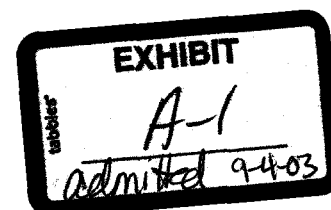
**System Information:**

Number of Points of Entry <u>4</u>	Population Served <u>900</u>	Connections Served <u>414</u>
Initial year for Phase II <u>1993</u>	MAP year <u>2002</u>	

**DWCE Evaluation completed by:** Jim Puckett

**Phone:** 602-771-4649 **Date:** 7-23-03

Based on data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. This compliance status report does not guarantee the water quality for this system in the future. This compliance status report does not reflect the status of any other water system owned by this utility company.



LEGAL 31EX

MEMORANDUM  
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2003 SEP 22 P 3: 52

2003 JUL 23 P 4: 58

TO: Docket Control

FROM:

Ernest G. Johnson  
Director  
Utilities Division

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AZ CORP COMMISSION  
DOCUMENT CONTROL

JUL 24 2003

Date: July 23, 2003

LEGAL DIV.  
ARIZ. CORPORATION COMMISSION

RE: ROCKY LAKE WATER COMPANY - APPLICATION FOR APPROVAL OF  
THE SALE OF ASSETS AND CANCELLATION OF ITS CERTIFICATE OF  
CONVENIENCE AND NECESSITY. (DOCKET NO. W-01498A-03-0353)

Attached is the Staff Report for Rocky Lake Water Company's application for the Sale of Assets and Cancellation of its Certificate of Convenience and Necessity. Staff recommends approval of the sale of assets and cancellation of the Certificate of Convenience and Necessity.

Originator: Jim Fisher

Arizona Corporation Commission  
DOCKETED

SEP 22 2003

DOCKETED BY	CR
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EXHIBIT
S-1
admitted 9/23/03

Service List for: Rocky Lake Water Company  
Docket No. W-01498-03-0353

Mr. Fred T. Wilkinson  
General Manager  
Post Office Box 1020  
Apache Junction, Arizona 85201

Mr. Kenneth D. Mecham  
Gila Resources, Inc.  
City of Safford  
405 West Discovery Park Boulevard  
Safford, Arizona 85546

Mr. Christopher C. Kempley  
Chief, Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Mr. Ernest G. Johnson  
Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Ms. Lyn Farmer  
Chief, Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

ROCKY LAKE WATER COMPANY

APPLICATION FOR APPROVAL OF THE SALE  
OF ASSETS AND CANCELLATION OF ITS CC&N

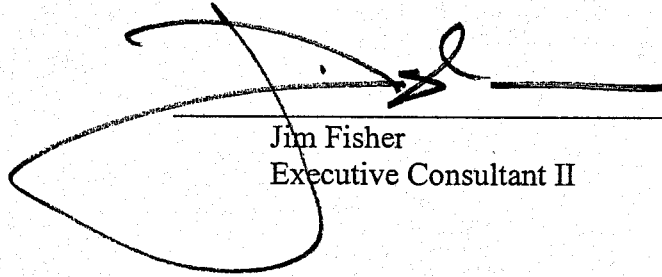
DOCKET NO. W-01498A-03-0353

July 2003

## STAFF ACKNOWLEDGEMENT

The Staff Report for Rocky Lake Water Company (Docket No. W-01498A-03-0353) was the responsibility of the Staff member listed below. Jim Fisher was responsible for the review and analyses of the Company's application.

Contributing Staff:



Jim Fisher  
Executive Consultant II

**EXECUTIVE SUMMARY  
ROCKY LAKE WATER COMPANY  
DOCKET NO. W-01498A-03-0353**

On May 30, 2003, Rocky Lake Water Company ("Rocky Lake" or "Company") filed an application with the Arizona Corporation Commission ("ACC") requesting approval of the sale of assets to Gila Resources, Inc. ("Gila Resources") and Cancellation of its Certificate of Convenience and Necessity ("CC&N").

Rocky Lake is an Arizona "S" corporation authorized to provide water service to certain portions of Graham County pursuant to authority granted by the ACC in Decision No. 32064 (February 3, 1960). The Company is located near the city of Safford, serving approximately 410 customers.

By this Application, Rocky Lake is seeking Commission authorization for the sale of assets to the Gila Resources, an Arizona non-profit corporation and wholly-owned affiliate of the City of Safford.

On May 24, 2003, Rocky Lake and Gila Resources signed a Purchase Agreement which provides that Gila Resources District shall pay the Company \$1,150 for each connection on the water system at the time of closing. According to Section 1.3, Assumed Liabilities, Gila Resources will assume and pay all obligations and liabilities of Rocky Lake, including meter advance credit, customer deposits and refundable main extension agreements.

The Arizona Department of Environmental Quality regulates the Company as a public water system and reported that the system has monitoring deficiencies, but that no compliance or enforcement action is pending. The Utilities Division Compliance Section showed no outstanding compliance issues for the Company.

Staff recommends that the Commission approve Rocky Lake Water Company's application for the sale and transfer of its assets to Gila Resources, Inc., an Arizona non-profit corporation.

Staff further recommends that the Commission cancel Rocky Lake Water Company's CC&N subsequent to the closing of the sale and transfer of its assets to Gila Resources, Inc., an Arizona non-profit corporation.

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## **Introduction**

On May 30, 2003, Rocky Lake Water Company ("Rocky Lake" or "Company") filed an application with the Arizona Corporation Commission ("ACC") requesting approval of the sale of assets to Gila Resources, Inc. ("Gila Resources") and Cancellation of its Certificate of Convenience and Necessity ("CC&N").

## **Background**

Rocky Lake is an Arizona "S" corporation authorized to provide water service to certain portions of Graham County pursuant to authority granted by the ACC in Decision No. 32064 (February 3, 1960). The Company is located near the city of Safford. The Company is currently serving approximately 410 customers. According to Rocky Lake's last Annual Report to the ACC, the Company obtained \$116,095 in revenue, resulting in net income of \$5,593.

Rocky Lake's current rates were authorized in Decision No. 64009 (September 4, 2001). On August 22, 1994, the Company filed a Backflow Prevention Tariff in accordance with Commission policies. On March 4, 2003, Rocky Lake filed a Curtailment Tariff per Commission standards.

By this Application, Rocky Lake is seeking Commission authorization for the sale of assets to the Gila Resources, an Arizona non-profit corporation and wholly-owned affiliate of the City of Safford.

## **The Transaction**

On May 24, 2003, Rocky Lake and Gila Resources signed a Purchase Agreement which provides that Gila Resources District shall pay the Company \$1,150 for each connection on the water system at the time of closing. The parties agree that \$166.50 per connection represents the tangible assets, and \$983.50 per connection represents the intangible value the buyer assigns the net present value of future cash flows. Both parties agree to report the purchase for income tax purposes consistent with the agreed allocation. At close of the transaction, the title to the assets will pass to Gila Resources.

According to Section 1.3, Assumed Liabilities, Gila Resources will assume and pay all obligations and liabilities of Rocky Lake as set forth in Schedule 1.3 of the Purchase Agreement. Schedule 1.3 lists meter advance credits of \$22,480, customer deposits of \$9,274 and main extension agreements. Rocky Lake has three main extension agreements currently being refunded per the terms of the agreement.

According to Article VII of the Purchase Agreement, Section 7.1.1.6, Rocky Lake agrees that all customer deposits and meter advances shall be credited against the purchase price, rather than deposited into escrow.

### **ACC Compliance**

A check with the Utilities Division, Compliance Section showed no outstanding compliance issues for the Company.

### **Arizona Department of Environmental Quality (ADEQ) Compliance**

ADEQ regulates the water system under ADEQ Public System I.D. # 05-004. On June 6, 2003, ADEQ reported that the system has monitoring deficiencies, but that no compliance or enforcement action is pending.

### **Recommendations**

Staff recommends that the Commission approve Rocky Lake Water Company's application for the sale and transfer of its assets to Gila Resources, Inc., an Arizona non-profit corporation.

Staff further recommends that the Commission cancel Rocky Lake Water Company's CC&N subsequent to the closing of the sale and transfer of its assets to Gila Resources, Inc., an Arizona non-profit corporation.